



EFFECTS OF MAP CHANGES ON FLOOD INSURANCE – KNOW YOUR OPTIONS

Since 2003, the Federal Emergency Management Agency (FEMA) has led a major effort to update the nation’s flood maps (known as Flood Insurance Rate Maps, or FIRMs) to reflect current flood risks. Supporting that effort, the Georgia Environmental Protection Division (EPD) under the Department of Natural Resources (DNR) is updating Georgia’s flood maps through the Georgia Flood M.A.P (Mapping, Assessment and Planning) program.

Flood risks can, and do, change over time due to community growth, aging flood control structures, erosion, and other factors. As a result, many property owners have learned that their risk of flooding has increased and that their property has been newly mapped into a high-risk area. This can mean new, mandatory federal flood insurance purchase requirements. Other property owners learn that their flood risk has reduced and the federal requirement has been removed, though the lender can still require it. It is important to know if and how your flood risk has changed so that you can take advantage of the best cost-saving option while still staying covered for the next flood.

MAPPED FROM LOW-RISK TO HIGH-RISK – PRP EXTENSION

To help reduce the financial burden for affected property owners, the National Flood Insurance Program (NFIP) offers a cost-saving option for property owners whose buildings are newly mapped into high-risk flood zones (shown on a flood map as a zone beginning with the letter “A” or “V”) on or after October 1, 2008. The NFIP will allow the low-cost Preferred Risk Policy (PRP), usually written only on buildings in moderate- and low-risk areas (shown on a flood map as a zone beginning with the letter “X”, “B” or “C”), to continue to be written on buildings even though they are now in a high-risk area. To be eligible, the building must meet certain loss-history requirements. If there have been two disaster relief payments, or claims for flood losses of \$1,000 or more, or three losses of any amount, the building is not eligible for a PRP; however, it may be eligible for grandfathering (see next section). This cost-savings extension of the PRP will continue until FEMA completes its analysis and implements premium rate revisions put in place by the Biggert-Waters Flood Insurance Reform Act of 2012.

MAPPED FROM HIGH-RISK TO HIGHER RISK – GRANDFATHERING

If your building is being newly mapped into a high-risk area and *not* eligible for a PRP, OR if your building is being newly mapped from a high-risk zone (e.g., Zone AE) to a higher risk zone (e.g., Zone VE), OR the Base Flood Elevation (BFE) around your property will be higher when the new flood map takes effect, the NFIP offers an option to keep the current flood zone or BFE for insurance purposes, called grandfathering.

The easiest way to take advantage of grandfathering is by buying a policy before the new flood maps take effect. This will lock in the current flood zone or BFE for rating when the policy renews in the future.

For older structures that were built before the community's first flood map was issued (known as pre-FIRM buildings), the only grandfathering option is to purchase a policy before the new flood map becomes effective. Structures built after the community's first flood map was issued (post-FIRM buildings) have two opportunities to lock in the flood zone or BFE for future rating:

1. The easiest and smartest is to purchase a policy before the new map takes effect, or
2. You can purchase a policy after the effective date. However, you must show proof that the building was built in compliance with the flood map that was in effect at the time of construction. Your insurance agent can help produce the necessary documentation.

Note that in some cases, the new flood map may actually result in a lower premium than what grandfathering provides. So have your insurance agent check all options.

MAPPED FROM HIGH-RISK TO LOW-RISK

When a building has been mapped into a moderate- or low-risk area, the federal mandatory purchase requirement is removed (though the lender can still require it); however, the risk has not – it has only been reduced. Flood insurance is now significantly cheaper. The NFIP provides insurance agents with an easy way to convert an existing policy written in a high-risk zone to a Preferred Risk Policy (PRP) that does not require the insured to pay anything more; in fact, the property owner will get a refund while still maintaining coverage. In addition, that policy will automatically include contents coverage (40% of the building coverage). Consequently, it is much less expensive and there is no gap in coverage.

SUMMARY

The following table summarizes the different effects and options available. If a mapping project is occurring in your community, stay in contact with your local floodplain administrator to learn when and where changes are occurring. To learn more about Georgia’s Flood M.A.P. program and the status of a mapping project, visit www.GeorgiaDFIRM.com. To learn more about flood insurance and insurance options available, contact your insurance agent or visit www.FloodSmart.gov.

If Maps Show...	These Requirements, Options And Savings Apply
Change from moderate or low flood risk to high-risk (e.g., flood Zone B, C, or X to Zone A, AE, AH, AO, V or VE)	<p>Flood insurance is mandatory. Flood insurance will be federally required for most mortgage holders. Insurance costs may rise to reflect the true (high) risk.</p> <p>Rating Options can offer savings. The National Flood Insurance Program (NFIP) is providing savings by temporarily extending eligibility for the Preferred Risk Policy. This cost-saving option applies to buildings newly mapped into a high-risk area on or after October 1, 2008.</p>
Change from high-risk Zone A or AE to higher-risk Zone V or VE or increase in Base Flood Elevation (BFE)	<p>An increase in risk can result in higher premiums; however, “grandfathering” can offer savings. The NFIP grandfathering rules allow policyholders who have built in compliance with the flood map in effect at the time of construction to keep their previous zone or BFE to calculate their insurance rate. This could result in significant savings.</p>
Change from high flood risk to moderate or low risk (e.g., flood Zone A, AE, AH, AO, to Zone X or shaded X)	<p>Flood insurance is optional but recommended. The risk has only been reduced, not removed. Flood insurance can still be obtained, and at lower rates. More than 20 percent of all flood insurance claims and one-third of flood disaster claims come from moderate-to-low-risk areas.</p> <p>Conversion offers savings. An existing policy can be easily converted to a lower-cost Preferred Risk Policy, if the building qualifies. Note that lenders always have the option to require flood insurance in these areas.</p>
No change in risk level	<p>No change in insurance rates. However, this is a good time to review your coverages and ensure that your building and contents are adequately insured.</p>